

**Exhibit B**  
**USPAP (excerpts)**

2014-2015 EDITION

# UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE



electronic edition

Effective January 1, 2014  
through December 31, 2015

## PLUS

Guidance from the Appraisal Standards Board  
+ USPAP ADVISORY OPINIONS  
+ USPAP FREQUENTLY ASKED QUESTIONS (FAQ)

APPRaisal STANDARDS BOARD



THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal  
Standards and Appraiser Qualification

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**2014-2015  
EDITION**

APPRAISAL STANDARDS BOARD  
THE APPRAISAL FOUNDATION  
 *Authorized by Congress as the Source of Appraisal  
Standards and Appraiser Qualifications*

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**EFFECTIVE:**  
**January 1, 2014 through**  
**December 31, 2015**

## **COMPETENCY RULE**

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343    **COMPETENCY RULE**

344    **An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to**  
345    **perform the assignment; or (3) decline or withdraw from the assignment. In all cases, the appraiser must**  
346    **perform competently when completing the assignment.**

347    **Being Competent**

348    **The appraiser must determine, prior to accepting an assignment, that he or she can perform the**  
349    **assignment competently. Competency requires:**

- 350    **1. the ability to properly identify the problem to be addressed; and**
- 351    **2. the knowledge and experience to complete the assignment competently; and**
- 352    **3. recognition of, and compliance with, laws and regulations that apply to the appraiser or to the**  
353    **assignment.**

354    **Comment:** Competency may apply to factors such as, but not limited to, an appraiser's  
355    familiarity with a specific type of property or asset, a market, a geographic area, an intended  
356    use, specific laws and regulations, or an analytical method. If such a factor is necessary for an  
357    appraiser to develop credible assignment results, the appraiser is responsible for having the  
358    competency to address that factor or for following the steps outlined below to satisfy this  
359    COMPETENCY RULE.

360    For assignments with retrospective opinions and conclusions, the appraiser must meet the  
361    requirements of this COMPETENCY RULE at the time of the assignment, rather than the  
362    effective date.

363    **Acquiring Competency**

364    **If an appraiser determines he or she is not competent prior to accepting an assignment, the appraiser**  
365    **must:**

- 366    **1. disclose the lack of knowledge and/or experience to the client before accepting the assignment;**
- 367    **2. take all steps necessary or appropriate to complete the assignment competently; and**
- 368    **3. describe, in the report, the lack of knowledge and/or experience and the steps taken to complete**  
369    **the assignment competently.**

370    **Comment:** Competency can be acquired in various ways, including, but not limited to,  
371    personal study by the appraiser, association with an appraiser reasonably believed to have the  
372    necessary knowledge and/or experience, or retention of others who possess the necessary  
373    knowledge and/or experience.

374    In an assignment where geographic competency is necessary, an appraiser who is not familiar  
375    with the relevant market characteristics must acquire an understanding necessary to produce  
376    credible assignment results for the specific property type and market involved.

377    **When facts or conditions are discovered during the course of an assignment that cause an appraiser to**  
378    **determine, at that time, that he or she lacks the required knowledge and experience to complete the**  
379    **assignment competently, the appraiser must:**

- 380    **1. notify the client, and**
- 381    **2. take all steps necessary or appropriate to complete the assignment competently, and**

## **COMPETENCY RULE**

382       3. describe, in the report, the lack of knowledge and/or experience and the steps taken to complete  
383       the assignment competently.

### 384 Lack of Competency

385 If the assignment cannot be completed competently, the appraiser must decline or withdraw from the  
386 assignment.

1143 **STANDARD 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING**

1144 **In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those**  
1145 **recognized methods and techniques necessary to produce and communicate credible mass appraisals.**

1146 **Comment:** STANDARD 6 applies to all mass appraisals of real or personal property  
1147 regardless of the purpose or use of such appraisals.<sup>34</sup> STANDARD 6 is directed toward the  
1148 substantive aspects of developing and communicating credible analyses, opinions, and  
1149 conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or  
1150 without computer assistance. The reporting and jurisdictional exceptions applicable to public  
1151 mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for  
1152 other purposes.

1153 A mass appraisal includes:

1154 1) identifying properties to be appraised;  
1155 2) defining market area of consistent behavior that applies to properties;  
1156 3) identifying characteristics (supply and demand) that affect the creation of value in  
1157 that market area;  
1158 4) developing a model structure that reflects the relationship among the characteristics  
1159 affecting value in the market area;  
1160 5) calibrating the model structure to determine the contribution of the individual  
1161 characteristics affecting value;  
1162 6) applying the conclusions reflected in the model to the characteristics of the  
1163 property(ies) being appraised; and  
1164 7) reviewing the mass appraisal results.

1165 The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD  
1166 6 because ad valorem tax administration is subject to various state, county, and municipal  
1167 laws.

1168 **Standards Rule 6-1**

1169 **In developing a mass appraisal, an appraiser must:**

1170 (a) **be aware of, understand, and correctly employ those recognized methods and techniques**  
1171 **necessary to produce a credible mass appraisal;**

1172 **Comment:** Mass appraisal provides for a systematic approach and uniform application of  
1173 appraisal methods and techniques to obtain estimates of value that allow for statistical review  
1174 and analysis of results.

1175 This requirement recognizes that the principle of change continues to affect the manner in  
1176 which appraisers perform mass appraisals. Changes and developments in the real property and  
1177 personal property fields have a substantial impact on the appraisal profession.

1178 To keep abreast of these changes and developments, the appraisal profession is constantly  
1179 reviewing and revising appraisal methods and techniques and devising new methods and  
1180 techniques to meet new circumstances. For this reason it is not sufficient for appraisers to  
1181 simply maintain the skills and the knowledge they possess when they become appraisers.

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<sup>34</sup> See Advisory Opinion 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*.

## STANDARD 6

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1182        Each appraiser must continuously improve his or her skills to remain proficient in mass  
1183        appraisal.

1184        (b)    **not commit a substantial error of omission or commission that significantly affects a mass**  
1185        **appraisal; and**

1186        **Comment:** An appraiser must use sufficient care to avoid errors that would significantly affect  
1187        his or her opinions and conclusions. Diligence is required to identify and analyze the factors,  
1188        conditions, data, and other information that would have a significant effect on the credibility  
1189        of the assignment results.

1190        (c)    **not render a mass appraisal in a careless or negligent manner.**

1191        **Comment:** Perfection is impossible to attain, and competence does not require perfection.  
1192        However, an appraiser must not render appraisal services in a careless or negligent manner.  
1193        This Standards Rule requires an appraiser to use due diligence and due care.

1194        **Standards Rule 6-2**

1195        **In developing a mass appraisal, an appraiser must:**

1196        (a)    **identify the client and other intended users;**<sup>35</sup>

1197        (b)    **identify the intended use of the appraisal;**<sup>36</sup>

1198        **Comment:** An appraiser must not allow the intended use of an assignment or a client's objectives to  
1199        cause the assignment results to be biased.

1200        (c)    **identify the type and definition of value, and, if the value opinion to be developed is market**  
1201        **value, ascertain whether the value is to be the most probable price:**

1202        (i)      **in terms of cash; or**

1203        (ii)     **in terms of financial arrangements equivalent to cash; or**

1204        (iii)    **in such other terms as may be precisely defined; and**

1205        (iv)     **if the opinion of value is based on non-market financing or financing with unusual**  
1206        **conditions or incentives, the terms of such financing must be clearly identified and the**  
1207        **appraiser's opinion of their contributions to or negative influence on value must be**  
1208        **developed by analysis of relevant market data;**

1209        **Comment:** For certain types of appraisal assignments in which a legal definition of market  
1210        value has been established and takes precedence, the JURISDICTIONAL EXCEPTION  
1211        RULE may apply.

1212        (d)    **identify the effective date of the appraisal;**<sup>37</sup>

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<sup>35</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>36</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>37</sup> See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

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1213 (e) identify the characteristics of the properties that are relevant to the type and definition of value  
1214 and intended use,<sup>38</sup> including:

1215 (i) the group with which a property is identified according to similar market influence;  
1216 (ii) the appropriate market area and time frame relative to the property being valued; and  
1217 (iii) their location and physical, legal, and economic characteristics;

1218 **Comment:** The properties must be identified in general terms, and each individual property in  
1219 the universe must be identified, with the information on its identity stored or referenced in its  
1220 property record.

1221 When appraising proposed improvements, an appraiser must examine and have available for  
1222 future examination, plans, specifications, or other documentation sufficient to identify the  
1223 extent and character of the proposed improvements.<sup>39</sup>

1224 Ordinarily, proposed improvements are not appraised for ad valorem tax. Appraisers,  
1225 however, are sometimes asked to provide opinions of value of proposed improvements so that  
1226 developers can estimate future property tax burdens. Sometimes units in condominiums and  
1227 planned unit developments are sold with an interest in un-built community property, the pro  
1228 rata value of which, if any, must be considered in the analysis of sales data.

1229 (f) identify the characteristics of the market that are relevant to the purpose and intended use of the  
1230 mass appraisal including:

1231 (i) location of the market area;  
1232 (ii) physical, legal, and economic attributes;  
1233 (iii) time frame of market activity; and  
1234 (iv) property interests reflected in the market;

1235 (g) in appraising real property or personal property:

1236 (i) identify the appropriate market area and time frame relative to the property being  
1237 valued;  
1238 (ii) when the subject is real property, identify and consider any personal property, trade  
1239 fixtures, or intangibles that are not real property but are included in the appraisal;  
1240 (iii) when the subject is personal property, identify and consider any real property or  
1241 intangibles that are not personal property but are included in the appraisal;  
1242 (iv) identify known easements, restrictions, encumbrances, leases, reservations, covenants,  
1243 contracts, declarations, special assessments, ordinances, or other items of similar nature;  
1244 and

<sup>38</sup> See Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*, if applicable.

<sup>39</sup> See Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*, if applicable.

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1245 (v) identify and analyze whether an appraised fractional interest, physical segment or  
1246 partial holding contributes pro rata to the value of the whole;

1247 **Comment:** The above requirements do not obligate the appraiser to value the whole  
1248 when the subject of the appraisal is a fractional interest, physical segment, or a  
1249 partial holding. However, if the value of the whole is not identified, the appraisal  
1250 must clearly reflect that the value of the property being appraised cannot be used to  
1251 develop the value opinion of the whole by mathematical extension.

1252 (h) analyze the relevant economic conditions at the time of the valuation, including market  
1253 acceptability of the property and supply, demand, scarcity, or rarity;  
1254 (i) identify any extraordinary assumptions and any hypothetical conditions necessary in the  
1255 assignment; and

1256 **Comment:** An extraordinary assumption may be used in an assignment only if:

1257 • it is required to properly develop credible opinions and conclusions;  
1258 • the appraiser has a reasonable basis for the extraordinary assumption;  
1259 • use of the extraordinary assumption results in a credible analysis; and  
1260 • the appraiser complies with the disclosure requirements set forth in USPAP for  
1261 extraordinary assumptions.

1262 A hypothetical condition may be used in an assignment only if:

1263 • use of the hypothetical condition is clearly required for legal purposes, for purposes  
1264 of reasonable analysis, or for purposes of comparison;  
1265 • use of the hypothetical condition results in a credible analysis; and  
1266 • the appraiser complies with the disclosure requirements set forth in USPAP for  
1267 hypothetical conditions.

1268 (j) determine the scope of work necessary to produce credible assignment results in accordance with  
1269 the SCOPE OF WORK RULE.<sup>40</sup>

### **Standards Rule 6-3**

1271 **When necessary for credible assignment results, an appraiser must:**

1272 (a) in appraising real property, identify and analyze the effect on use and value of the following  
1273 factors: existing land use regulations, reasonably probable modifications of such regulations,  
1274 economic supply and demand, the physical adaptability of the real estate, neighborhood trends,  
1275 and highest and best use of the real estate; and

1276 **Comment:** This requirement sets forth a list of factors that affect use and value. In considering  
1277 neighborhood trends, an appraiser must avoid stereotyped or biased assumptions relating to  
1278 race, age, color, gender, or national origin or an assumption that race, ethnic, or religious  
1279 homogeneity is necessary to maximize value in a neighborhood. Further, an appraiser must  
1280 avoid making an unsupported assumption or premise about neighborhood decline, effective  
1281 age, and remaining life. In considering highest and best use, an appraiser must develop the  
1282 concept to the extent required for a proper solution to the appraisal problem.

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<sup>40</sup> See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

1283 (b) in appraising personal property: identify and analyze the effects on use and value of industry  
1284 trends, value-in-use, and trade level of personal property. Where applicable, analyze the current  
1285 use and alternative uses to encompass what is profitable, legal, and physically possible, as  
1286 relevant to the type and definition of value and intended use of the appraisal. Personal property  
1287 has several measurable marketplaces; therefore, the appraiser must define and analyze the  
1288 appropriate market consistent with the type and definition of value.

1289 Comment: The appraiser must recognize that there are distinct levels of trade and each may  
1290 generate its own data. For example, a property may have a different value at a wholesale level  
1291 of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser  
1292 must analyze the subject property within the correct market context.

1293 **Standards Rule 6-4**

1294 **In developing a mass appraisal, an appraiser must:**

1295 (a) **identify the appropriate procedures and market information required to perform the appraisal,  
1296 including all physical, functional, and external market factors as they may affect the appraisal;**

1297 Comment: Such efforts customarily include the development of standardized data collection  
1298 forms, procedures, and training materials that are used uniformly on the universe of properties  
1299 under consideration.

1300 (b) **employ recognized techniques for specifying property valuation models; and**

1301 Comment: The formal development of a model in a statement or equation is called model  
1302 specification. Mass appraisers must develop mathematical models that, with reasonable  
1303 accuracy, represent the relationship between property value and supply and demand factors, as  
1304 represented by quantitative and qualitative property characteristics. The models may be  
1305 specified using the cost, sales comparison, or income approaches to value. The specification  
1306 format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for  
1307 representing the observable property characteristics. Appropriate approaches must be used in  
1308 appraising a class of properties. The concept of recognized techniques applies to both real and  
1309 personal property valuation models.

1310 (c) **employ recognized techniques for calibrating mass appraisal models.**

1311 Comment: Calibration refers to the process of analyzing sets of property and market data to  
1312 determine the specific parameters of a model. The table entries in a cost manual are examples  
1313 of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models  
1314 must be calibrated using recognized techniques, including, but not limited to, multiple linear  
1315 regression, nonlinear regression, and adaptive estimation.

1316 **Standards Rule 6-5**

1317 **In developing a mass appraisal, when necessary for credible assignment results, an appraiser must:**

1318 (a) **collect, verify, and analyze such data as are necessary and appropriate to develop:**

1319 (i) **the cost new of the improvements;**

1320 (ii) **accrued depreciation;**

1321 (iii) **value of the land by sales of comparable properties;**

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1322 (iv) **value of the property by sales of comparable properties;**  
1323 (v) **value by capitalization of income or potential earnings - i.e., rentals, expenses, interest**  
1324 **rates, capitalization rates, and vacancy data;**

1325 **Comment:** This Standards Rule requires appraisers engaged in mass appraisal to take  
1326 reasonable steps to ensure that the quantity and quality of the factual data that are collected  
1327 are sufficient to produce credible appraisals. For example, in real property, where applicable  
1328 and feasible, systems for routinely collecting and maintaining ownership, geographic, sales,  
1329 income and expense, cost, and property characteristics data must be established. Geographic  
1330 data must be contained in as complete a set of cadastral maps as possible, compiled according  
1331 to current standards of detail and accuracy. Sales data must be collected, confirmed, screened,  
1332 adjusted, and filed according to current standards of practice. The sales file must contain, for  
1333 each sale, property characteristics data that are contemporaneous with the date of sale.  
1334 Property characteristics data must be appropriate and relevant to the mass appraisal models  
1335 being used. The property characteristics data file must contain data contemporaneous with  
1336 the date of appraisal including historical data on sales, where appropriate and available. The  
1337 data collection program must incorporate a quality control program, including checks and  
1338 audits of the data to ensure current and consistent records.

1339 (b) **base estimates of capitalization rates and projections of future rental rates and/or potential**  
1340 **earnings capacity, expenses, interest rates, and vacancy rates on reasonable and appropriate**  
1341 **evidence;<sup>41</sup>**

1342 **Comment:** This requirement calls for an appraiser, in developing income and expense  
1343 statements and cash flow projections, to weigh historical information and trends, current  
1344 market factors affecting such trends, and reasonably anticipated events, such as competition  
1345 from developments either planned or under construction.

1346 (c) **identify and, as applicable, analyze terms and conditions of any available leases; and**  
1347 (d) **identify the need for and extent of any physical inspection.<sup>42</sup>**

### **Standards Rule 6-6**

1349 **When necessary for credible assignment results in applying a calibrated mass appraisal model an**  
1350 **appraiser must:**

1351 (a) **value improved parcels by recognized methods or techniques based on the cost approach, the**  
1352 **sales comparison approach, and income approach;**  
1353 (b) **value sites by recognized methods or techniques; such techniques include but are not limited to**  
1354 **the sales comparison approach, allocation method, abstraction method, capitalization of ground**  
1355 **rent, and land residual technique;**  
1356 (c) **when developing the value of a leased fee estate or a leasehold estate, analyze the effect on value,**  
1357 **if any, of the terms and conditions of the lease;**

1358 **Comment:** In ad valorem taxation the appraiser may be required by rules or law to appraise  
1359 the property as if in fee simple, as though unencumbered by existing leases. In such cases,

<sup>41</sup> See Statement on Appraisal Standards No. 2, *Discounted Cash Flow Analysis*.

<sup>42</sup> See Advisory Opinion 2, *Inspection of Subject Property*.

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1360 market rent would be used in the appraisal, ignoring the effect of the individual, actual  
1361 contract rents.

1362 (d) **analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or**  
1363 **component parts of a property; the value of the whole must not be developed by adding together**  
1364 **the individual values of the various parcels, divided interests, or component parts; and**

1365 **Comment:** When the value of the whole has been established and the appraiser seeks to value  
1366 a part, the value of any such part must be tested by reference to appropriate market data and  
1367 supported by an appropriate analysis of such data.

1368 (e) **when analyzing anticipated public or private improvements, located on or off the site, analyze**  
1369 **the effect on value, if any, of such anticipated improvements to the extent they are reflected in**  
1370 **market actions.**

### Standards Rule 6-7

1372 **In reconciling a mass appraisal an appraiser must:**

1373 (a) **reconcile the quality and quantity of data available and analyzed within the approaches used and**  
1374 **the applicability and relevance of the approaches, methods and techniques used; and**

1375 (b) **employ recognized mass appraisal testing procedures and techniques to ensure that standards of**  
1376 **accuracy are maintained.**

1377 **Comment:** It is implicit in mass appraisal that, even when properly specified and calibrated  
1378 mass appraisal models are used, some individual value conclusions will not meet standards of  
1379 reasonableness, consistency, and accuracy. However, appraisers engaged in mass appraisal  
1380 have a professional responsibility to ensure that, on an overall basis, models produce value  
1381 conclusions that meet attainable standards of accuracy. This responsibility requires appraisers  
1382 to evaluate the performance of models, using techniques that may include but are not limited  
1383 to, goodness-of-fit statistics, and model performance statistics such as appraisal-to-sale ratio  
1384 studies, evaluation of hold-out samples, or analysis of residuals.

### Standards Rule 6-8

1386 **A written report of a mass appraisal must clearly communicate the elements, results, opinions, and value**  
1387 **conclusions of the appraisal.**

1388 **Each written report of a mass appraisal must:**

1389 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**

1390 (b) **contain sufficient information to enable the intended users of the appraisal to understand the**  
1391 **report properly;**

1392 **Comment:** Documentation for a mass appraisal for ad valorem taxation may be in the form of  
1393 (1) property records, (2) sales ratios and other statistical studies, (3) appraisal manuals and  
1394 documentation, (4) market studies, (5) model building documentation, (6) regulations, (7)  
1395 statutes, and (8) other acceptable forms.

1396 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical**  
1397 **conditions, and limiting conditions used in the assignment;**

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1398        **Comment:** The report must clearly and conspicuously:

1399            • state all extraordinary assumptions and hypothetical conditions; and  
1400            • state that their use might have affected the assignment results.

1401        (d) **state the identity of the client and any intended users, by name or type;**<sup>43</sup>

1402        (e) **state the intended use of the appraisal;**<sup>44</sup>

1403        (f) **disclose any assumptions or limiting conditions that result in deviation from recognized methods**  
1404            **and techniques or that affect analyses, opinions, and conclusions;**

1405        (g) **set forth the effective date of the appraisal and the date of the report;**

1406        **Comment:** In ad valorem taxation the effective date of the appraisal may be prescribed by law.  
1407        If no effective date is prescribed by law, the effective date of the appraisal, if not stated, is  
1408        presumed to be contemporaneous with the data and appraisal conclusions.

1409        The effective date of the appraisal establishes the context for the value opinion, while the date  
1410        of the report indicates whether the perspective of the appraiser on the market and property as  
1411        of the effective date of the appraisal was prospective, current, or retrospective.<sup>45</sup>

1412        (h) **state the type and definition of value and cite the source of the definition;**

1413        **Comment:** Stating the type and definition of value also requires any comments needed to  
1414        clearly indicate to intended users how the definition is being applied.<sup>46</sup>

1415        When reporting an opinion of market value, state whether the opinion of value is:

1416            • In terms of cash or of financing terms equivalent to cash; or  
1417            • Based on non-market financing with unusual conditions or incentives.

1418        When an opinion of market value is not in terms of cash or based on financing terms  
1419        equivalent to cash, summarize the terms of such financing and explain their contributions to  
1420        or negative influence on value.

1421        (i) **identify the properties appraised including the property rights;**

1422        **Comment:** The report documents the sources for location, describing and listing the property.  
1423        When applicable, include references to legal descriptions, addresses, parcel identifiers,  
1424        photos, and building sketches. In mass appraisal this information is often included in property  
1425        records. When the property rights to be appraised are specified in a statute or court ruling, the  
1426        law must be referenced.

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<sup>43</sup> See Statement on Appraisal Standards No. 9, *Identification of the Intended Use and Intended Users*.

<sup>44</sup> See Statement on Appraisal Standards No. 9, *Identification of the Intended Use and Intended Users*.

<sup>45</sup> See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

<sup>46</sup> See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.

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1427 (j) **describe the scope of work used to develop the appraisal;<sup>47</sup> exclusion of the sales comparison**  
1428 **approach, cost approach, or income approach must be explained;**

1429 **Comment:** Because intended users' reliance on an appraisal may be affected by the scope of  
1430 work, the report must enable them to be properly informed and not misled. Sufficient  
1431 information includes disclosure of research and analyses performed and might also include  
1432 disclosure of research and analyses not performed.

1433 When any portion of the work involves significant mass appraisal assistance, the appraiser  
1434 must describe the extent of that assistance. The signing appraiser must also state the name(s)  
1435 of those providing the significant mass appraisal assistance in the certification, in accordance  
1436 with Standards Rule 6-9.<sup>48</sup>

1437 (k) **describe and justify the model specification(s) considered, data requirements, and the model(s)**  
1438 **chosen;**

1439 **Comment:** The appraiser must provide sufficient information to enable the client and  
1440 intended users to have confidence that the process and procedures used conform to accepted  
1441 methods and result in credible value conclusions. In the case of mass appraisal for ad valorem  
1442 taxation, stability and accuracy are important to the credibility of value opinions. The report  
1443 must include a discussion of the rationale for each model, the calibration techniques to be  
1444 used, and the performance measures to be used.

1445 (l) **describe the procedure for collecting, validating, and reporting data;**

1446 **Comment:** The report must describe the sources of data and the data collection and validation  
1447 processes. Reference to detailed data collection manuals must be made, as appropriate,  
1448 including where they may be found for inspection.

1449 (m) **describe calibration methods considered and chosen, including the mathematical form of the**  
1450 **final model(s); describe how value conclusions were reviewed; and, if necessary, describe the**  
1451 **availability of individual value conclusions;**

1452 (n) **when an opinion of highest and best use, or the appropriate market or market level was**  
1453 **developed, discuss how that opinion was determined;**

1454 **Comment:** The mass appraisal report must reference case law, statute, or public policy that  
1455 describes highest and best use requirements. When actual use is the requirement, the report  
1456 must discuss how use-value opinions were developed. The appraiser's reasoning in support of  
1457 the highest and best use opinion must be provided in the depth and detail required by its  
1458 significance to the appraisal.

1459 (o) **identify the appraisal performance tests used and set forth the performance measures attained;**

1460 (p) **describe the reconciliation performed, in accordance with Standards Rule 6-7; and**

1461 (q) **include a signed certification in accordance with Standards Rule 6-9.**

<sup>47</sup> See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

<sup>48</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

## STANDARD 6

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1462 **Standards Rule 6-9**

1463 **Each written mass appraisal report must contain a signed certification that is similar in content to the**  
1464 **following form:**

1465 **I certify that, to the best of my knowledge and belief:**

- 1466     — **the statements of fact contained in this report are true and correct.**
- 1467     — **the reported analyses, opinions, and conclusions are limited only by the reported**  
1468 **assumptions and limiting conditions, and are my personal, impartial, and unbiased**  
1469 **professional analyses, opinions, and conclusions.**
- 1470     — **I have no (or the specified) present or prospective interest in the property that is the**  
1471 **subject of this report, and I have no (or the specified) personal interest with respect to**  
1472 **the parties involved.**
- 1473     — **I have performed no (or the specified) services, as an appraiser or in any other capacity,**  
1474 **regarding the property that is the subject of this report within the three-year period**  
1475 **immediately preceding acceptance of this assignment.**
- 1476     — **I have no bias with respect to any property that is the subject of this report or to the**  
1477 **parties involved with this assignment.**
- 1478     — **my engagement in this assignment was not contingent upon developing or reporting**  
1479 **predetermined results.**
- 1480     — **my compensation for completing this assignment is not contingent upon the reporting**  
1481 **of a predetermined value or direction in value that favors the cause of the client, the**  
1482 **amount of the value opinion, the attainment of a stipulated result, or the occurrence of**  
1483 **a subsequent event directly related to the intended use of this appraisal.**
- 1484     — **my analyses, opinions, and conclusions were developed, and this report has been**  
1485 **prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.**
- 1486     — **I have (or have not) made a personal inspection of the properties that are the subject**  
1487 **of this report. (If more than one person signs the report, this certification must clearly**  
1488 **specify which individuals did and which individuals did not make a personal**  
1489 **inspection of the appraised property.)<sup>49</sup>**
- 1490     — **no one provided significant mass appraisal assistance to the person signing this**  
1491 **certification. (If there are exceptions, the name of each individual providing**  
1492 **significant mass appraisal assistance must be stated.)**

1493 **Comment:** The above certification is not intended to disturb an elected or appointed assessor's  
1494 work plans or oaths of office. A signed certification is an integral part of the appraisal report.  
1495 An appraiser, who signs any part of the mass appraisal report, including a letter of transmittal,  
1496 must also sign this certification.

1497 In an assignment that includes only assignment results developed by the real property  
1498 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all  
1499 elements of the certification, for the assignment results, and for the contents of the appraisal  
1500 report. In an assignment that includes personal property assignment results not developed by  
1501 the real property appraiser(s), any real property appraiser(s) who signs a certification accepts  
1502 full responsibility for the real property elements of the certification, for the real property  
1503 assignment results, and for the real property contents of the appraisal report.

1504 In an assignment that includes only assignment results developed by the personal property  
1505 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all  
1506 elements of the certification, for the assignment results, and for the contents of the appraisal  
1507 report. In an assignment that includes real property assignment results not developed by the

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<sup>49</sup> See Advisory Opinion 2, *Inspection of Subject Property*.

## STANDARD 6

1508 personal property appraiser(s), any personal property appraiser(s) who signs a certification  
1509 accepts full responsibility for the personal property elements of the certification, for the  
1510 personal property assignment results, and for the personal property contents of the appraisal  
1511 report.

1512 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign a  
1513 the certification, the signing appraiser is responsible for the decision to rely on their work.  
1514 The signing appraiser(s) is required to have a reasonable basis for believing that those  
1515 individuals performing the work are competent. The signing appraiser(s) also must have no  
1516 reason to doubt that the work of those individuals is credible.

1517 The names of individuals providing significant mass appraisal assistance who do not sign a  
1518 certification must be stated in the certification. It is not required that the description of their  
1519 assistance be contained in the certification, but disclosure of their assistance is required in  
1520 accordance with Standards Rule 6-8(j).<sup>50</sup>

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<sup>50</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

## STANDARD 7

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1521 **STANDARD 7: PERSONAL PROPERTY APPRAISAL, DEVELOPMENT**

1522 **In developing a personal property appraisal, an appraiser must identify the problem to be solved,**  
1523 **determine the scope of work necessary to solve the problem, and correctly complete research and**  
1524 **analyses necessary to produce a credible appraisal.**

1525 **Comment:** STANDARD 7 is directed toward the substantive aspects of developing a credible  
1526 appraisal of personal property. The requirements set forth in STANDARD 7 follow the  
1527 appraisal development process in the order of topics addressed and can be used by appraisers  
1528 and the users of appraisal services as a convenient checklist.

1529 **Standards Rule 7-1**

1530 **In developing a personal property appraisal, an appraiser must:**

1531 (a) **be aware of, understand, and correctly employ those recognized methods and techniques that are**  
1532 **necessary to produce a credible appraisal;**

1533 **Comment:** This Standards Rule recognizes that change continues to affect the manner in  
1534 which appraisers perform appraisal services. Changes and developments in personal property  
1535 practice have a substantial impact on the appraisal profession. Important changes in the cost  
1536 and manner of acquiring, producing, and marketing personal property and changes in the legal  
1537 framework in which appraisers perform their assignments result in the need for corresponding  
1538 changes in personal property appraisal theory and practice. Social change has also had an  
1539 effect on appraisal theory and practice. The appraisal profession responds to changing  
1540 circumstances with revised and new appraisal methods and techniques. Therefore, it is not  
1541 sufficient for appraisers to maintain the skills and the knowledge they possess when they  
1542 become appraisers. Each appraiser must improve and update his or her skills and knowledge  
1543 to remain proficient in the appraisal of personal property.

1544 (b) **not commit a substantial error of omission or commission that significantly affects an**  
1545 **appraisal; and**

1546 **Comment:** An appraiser must use sufficient care to avoid errors that would significantly affect  
1547 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,  
1548 conditions, data, and other information that would have a significant effect on the credibility  
1549 of the assignment results.

1550 (c) **not render appraisal services in a careless or negligent manner, such as by making a series of**  
1551 **errors that, although individually might not significantly affect the results of an appraisal, in the**  
1552 **aggregate affect the credibility of those results.**

1553 **Comment:** Perfection is impossible to attain, and competence does not require perfection.  
1554 However, an appraiser must not render appraisal services in a careless or negligent manner.  
1555 This Standards Rule requires an appraiser to use due diligence and care.

1556 **Standards Rule 7-2**

1557 **In developing a personal property appraisal, an appraiser must:**

1558 (a) **identify the client and other intended users;**  
1559 (b) **identify the intended use of the appraiser's opinions and conclusions;**

Comment: An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.

1562 (c) identify the type and definition of value. If the value opinion to be developed is market value,  
1563 ascertain whether the value is to be the most probable price:

1564 (i) in terms of cash; or

1565 (ii) in terms of financial arrangements equivalent to cash; or

1566 (iii) in other precisely defined terms; and

1567 (iv) if the opinion of value is to be based on non-market financing or financing with unusual  
1568 conditions or incentives, the terms of such financing must be clearly identified and the  
1569 appraiser's opinion of their contributions to or negative influence on value must be  
1570 developed by analysis of relevant market data;

1571 Comment: When exposure time is a component of the definition for the value  
1572 opinion being developed, the appraiser must also develop an opinion of reasonable  
1573 exposure time linked to that value opinion.

1574 (d) identify the effective date of the appraiser's opinions and conclusions;

1575 (e) identify the characteristics of the property that are relevant to the type and definition of value  
1576 and intended use of the appraisal, including:

1577 (i) sufficient characteristics to establish the identity of the item including the method of  
1578 identification;

1579 (ii) sufficient characteristics to establish the relative quality of the item (and its component  
1580 parts, where applicable) within its type;

1581 (iii) all other physical and economic attributes with a material effect on value;  
1582 Comment: Some examples of physical and economic characteristics include  
1583 condition, style, size, quality, manufacturer, author, materials, origin, age,  
1584 provenance, alterations, restorations, and obsolescence. The type of property, the  
1585 type and definition of value, and intended use of the appraisal determine which  
1586 characteristics have a material effect on value.

1587 (iv) the ownership interest to be valued;

1588 (v) any known restrictions, encumbrances, leases, covenants, contracts, declarations, special  
1589 assessments, ordinances, or other items of a similar nature if relevant to the assignment;  
1590 and

1591 (vi) any real property or intangible items that are not personal property but which are  
1592 included in the appraisal;

1593 Comment on (i)–(vi): The information used by an appraiser to identify the property  
1594 characteristics must be from sources the appraiser reasonably believes are reliable.

1595 An appraiser may use any combination of a property inspection and documents or  
1596 other resources to identify the relevant characteristics of the subject property.

1597 When appraising proposed modifications, an appraiser must examine and have  
1598 available for future examination, documentation sufficient to identify the extent and  
1599 character of the proposed modifications.

## STANDARD 7

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1600                   An appraiser may not be required to value the whole when the subject of the  
1601                   appraisal is a fractional interest, a physical segment, or a partial holding.

1602                   (f)   **identify any extraordinary assumptions necessary in the assignment;**

1603                   Comment: An extraordinary assumption may be used in an assignment only if:

- 1604                   •    it is required to properly develop credible opinions and conclusions;
- 1605                   •    the appraiser has a reasonable basis for the extraordinary assumption;
- 1606                   •    use of the extraordinary assumption results in a credible analysis; and
- 1607                   •    the appraiser complies with the disclosure requirements set forth in USPAP for
- 1608                   extraordinary assumptions.

1609                   (g)   **identify any hypothetical conditions necessary in the assignment; and**

1610                   Comment: A hypothetical condition may be used in an assignment only if:

- 1611                   •    use of the hypothetical condition is clearly required for legal purposes, for purposes
- 1612                   of reasonable analysis, or for purposes of comparison;
- 1613                   •    use of the hypothetical condition results in a credible analysis; and
- 1614                   •    the appraiser complies with the disclosure requirements set forth in USPAP for
- 1615                   hypothetical conditions.

1616                   (h)   **determine the scope of work necessary to produce credible assignment results in accordance with**  
1617                   **the SCOPE OF WORK RULE.**

### Standard Rule 7-3

1619                   **In developing a personal property appraisal, when necessary for credible assignment results, an**  
1620                   **appraiser must:**

1621                   (a)   **analyze the property's current use and alternative uses as relevant to the type and definition of**  
1622                   **value and intended use of the appraisal;**

1623                   Comment: In the context of personal property, value can be a function of the choice of the  
1624                   appropriate market or, in some cases, market level for the type of item, the type and definition  
1625                   of value, and the intended use of the appraisal.

1626                   The appraiser must consider the various uses of the property when viable alternative uses  
1627                   exist and when those alternative uses may result in a different value.

1628                   (b)   **define and analyze the appropriate market consistent with the type and definition of value; and**

1629                   Comment: The appraiser must recognize that there are distinct levels of trade (measureable  
1630                   marketplaces) and each may generate its own data. For example, a property may have a  
1631                   different value at a wholesale level of trade, retail level of trade, or under various auction  
1632                   conditions. Therefore, the appraiser must analyze the subject property within the correct  
1633                   market context.

1634                   (c)   **analyze the relevant economic conditions that exist on the effective date of the valuation,**  
1635                   **including market acceptability of the property and supply, demand, scarcity or rarity.**

### Standards Rule 7-4

1637                   **In developing a personal property appraisal, an appraiser must collect, verify, and analyze all**  
1638                   **information necessary for credible assignment results.**

1639 (a) When a sales comparison approach is necessary for credible assignment results, an appraiser  
 1640 must analyze such comparable sales data as are available to indicate a value conclusion.

1641 (b) When a cost approach is necessary for credible assignment results, an appraiser must:  
 1642 (i) analyze such comparable cost data as are available to estimate the cost new of the  
 1643 property; and  
 1644 (ii) analyze such comparable data as are available to estimate the difference between cost  
 1645 new and the present worth of the property (accrued depreciation).

1646 (c) When an income approach is necessary for credible assignment results, an appraiser must:  
 1647 (i) analyze such comparable data as are available to estimate the market income of the  
 1648 property;  
 1649 (ii) analyze such comparable operating expense data as are available to estimate the  
 1650 operating expenses of the property;  
 1651 (iii) analyze such comparable data as are available to estimate rates of capitalization and/or  
 1652 rates of discount; and  
 1653 (iv) base projections of future income and expenses on reasonably clear and appropriate  
 1654 evidence.  
 1655 Comment: An appraiser must, in developing income and expense statements and  
 1656 cash flow projections, weigh historical information and trends, current supply and  
 1657 demand factors affecting such trends, and competition.

1658 (d) When developing an opinion of the value of a lease, leased, or encumbered property, an  
 1659 appraiser must analyze the effect on value, if any, of the terms and conditions of the lease(s) or  
 1660 encumbrances.

1661 (e) When appraising multiple objects, the appraiser must consider the significance of the value of  
 1662 the individual assets to the assignment results. Those objects which are more significant to the  
 1663 assignment results should be the focus of the analysis and analyzed in appropriate detail.  
 1664 Comment: A group of objects may have a mix of high and low value items. Those objects  
 1665 that are more significant to the assignment results should be subject to a greater and  
 1666 appropriate depth of analysis.

1667 (f) When analyzing the assemblage of the various component parts of a property, an appraiser must  
 1668 analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the  
 1669 whole solely by adding together the individual values of the various component parts.  
 1670 Comment: Although the value of the whole may be equal to the sum of the separate parts, it  
 1671 also may be greater than or less than the sum of such parts. Therefore, the value of the whole  
 1672 must be tested by reference to appropriate data and supported by an appropriate analysis of  
 1673 such data.  
 1674 A similar procedure must be followed when the value of the whole has been established and  
 1675 the appraiser seeks to value a part. The value of any such part must be tested by reference to  
 1676 appropriate data and supported by an appropriate analysis of such data.

1677 (g) When analyzing anticipated modifications to the subject property, an appraiser must analyze the  
 1678 effect on value, if any, of such modifications to the extent they are reflected in market actions.

1679 (h) When real property or intangible items are included in the appraisal, the appraiser must analyze  
 1680 the effect on value of such non-personal property items.

1703 **STANDARD 8: PERSONAL PROPERTY APPRAISAL, REPORTING**

1704 **In reporting the results of a personal property appraisal, an appraiser must communicate each analysis,**  
1705 **opinion, and conclusion in a manner that is not misleading.**

1706 **Comment:** STANDARD 8 addresses the content and level of information required in a report  
1707 that communicates the results of a personal property appraisal.

1708 STANDARD 8 does not dictate the form, format, or style of personal property appraisal  
1709 reports, which are functions of the needs of intended users and appraisers. The substantive  
1710 content of a report determines its compliance.

1711 **Standards Rule 8-1**

1712 **Each written or oral personal property appraisal report must:**

1713 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**

1714 (b) **contain sufficient information to enable the intended users of the appraisal to understand the**  
1715 **report properly; and**

1716 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical**  
1717 **conditions, and limiting conditions used in the assignment.**

1718 **Standards Rule 8-2**

1719 **Each written personal property appraisal report must be prepared under one of the following options**  
1720 **and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.<sup>52</sup>**

1721 **Comment:** When the intended users include parties other than the client, an Appraisal  
1722 Report must be provided. When the intended users do not include parties other than the  
1723 client, a Restricted Appraisal Report may be provided.

1724 The essential difference between these two options is in the content and level of information  
1725 provided. The appropriate reporting option and the level of information necessary in the  
1726 report are dependent on the intended use and intended users.

1727 An appraiser must use care when characterizing the type of report and level of information  
1728 communicated upon completion of an assignment. An appraiser may use any other label in  
1729 addition to, but not in place of, the label set forth in this Standard for the type of report  
1730 provided.

1731 The report content and level of information requirements set forth in this Standard are  
1732 minimums for each type of report. An appraiser must supplement a report form, when  
1733 necessary, to ensure that any intended user of the appraisal is not misled and that the report  
1734 complies with the applicable content requirements set forth in this Standards Rule.

1735 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to  
1736 satisfy disclosure requirements does not become an intended user of the appraisal unless the  
1737 appraiser identifies such party as an intended user as part of the assignment.

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<sup>52</sup> See Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2* and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*.

## STANDARD 8

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1738 (a) The content of an Appraisal Report must be consistent with the intended use of the appraisal  
1739 and, at a minimum:

1740 (i) state the identity of the client and any intended users, by name or type;<sup>53</sup>

1741 **Comment:** An appraiser must use care when identifying the client to ensure a clear  
1742 understanding and to avoid violations of the Confidentiality section of the ETHICS  
1743 RULE. In those rare instances where the client wishes to remain anonymous, an  
1744 appraiser must still document the identity of the client in the workfile but may omit  
1745 the client's identity in the report.

1746 (ii) state the intended use of the appraisal;<sup>54</sup>

1747 (iii) summarize information sufficient to identify the property involved in the appraisal,  
1748 including the physical and economic property characteristics relevant to the assignment;

1749 (iv) state the property interest appraised;

1750 (v) state the type and definition of value and cite the source of the definition;

1751 **Comment:** Stating the definition of value also requires any comments needed to  
1752 clearly indicate to the intended users how the definition is being applied.

1753 When reporting an opinion of market value, state whether the opinion of value is:

1754 • in terms of cash or of financing terms equivalent to cash, or  
1755 • based on non-market financing or financing with unusual conditions or  
1756 incentives.

1757 When an opinion of market value is not in terms of cash or based on financing terms  
1758 equivalent to cash, summarize the terms of such financing and explain their  
1759 contributions to or negative influence on value.

1760 When an opinion of reasonable exposure time has been developed in compliance  
1761 with Standards Rule 7-2(c), the opinion must be stated in the report.<sup>55</sup>

1762 (vi) state the effective date of the appraisal and the date of the report;<sup>56</sup>

1763 **Comment:** The effective date of the appraisal establishes the context for the value  
1764 opinion, while the date of the report indicates whether the perspective of the  
1765 appraiser on the market and property as of the effective date of the appraisal was  
1766 prospective, current, or retrospective.

1767 (vii) summarize the scope of work used to develop the appraisal;<sup>57</sup>

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<sup>53</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>54</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>55</sup> See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.

<sup>56</sup> See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

1768 **Comment:** Because intended users' reliance on an appraisal may be affected by the  
1769 scope of work, the report must enable them to be properly informed and not misled.  
1770 Sufficient information includes disclosure of research and analyses performed and  
1771 might also include disclosure of research and analyses not performed.

When any portion of the work involves significant personal property appraisal assistance, the appraiser must summarize the extent of that assistance. The name(s) of those providing the significant personal property appraisal assistance must be stated in the certification, in accordance with Standards Rule 8-3.<sup>58</sup>

1776 (viii) summarize the information analyzed, the appraisal methods and techniques employed, 1777 and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the 1778 sales comparison approach, cost approach, or income approach must be explained;<sup>59</sup>

Comment: An Appraisal Report must include sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7. The amount of detail required will vary with the significance of the information to the appraisal and with the significance of a particular object or group of objects to the overall assignment results.

1784 The appraiser must provide sufficient information to enable the client and intended  
1785 users to understand the rationale for the opinion and conclusions, including  
1786 reconciliation of the data and approaches, in accordance with Standards Rule 7-6.

When reporting an opinion of market value, a summary of the results of the analysis of the subject sales, offers, options, and listings in accordance with Standards Rule 7-5 is necessary. If such information was unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

1793 (ix) state, as appropriate to the class of personal property involved, the use of the property  
1794 existing as of the date of value and the use of the property reflected in the appraisal;

1795 Comment: In the context of personal property, value can be a function of the current  
1796 and alternative use of the subject property, the choice of the appropriate market or  
1797 market level for the type of item, the type and definition of value, and intended use  
1798 of the report.

1799 (x) when an opinion of the appropriate market or market level was developed by the  
1800 appraiser, summarize the support and rationale for that opinion;

1801 (xi) clearly and conspicuously:

1802                   • state all extraordinary assumptions and hypothetical conditions; and  
1803                   • state that their use might have affected the assignment results; and

1804 (xii) include a signed certification in accordance with Standards Rule 8-3.

<sup>57</sup> See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

<sup>58</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

<sup>59</sup> See Advisory Opinion 2, *Inspection of Subject Property*.